

Message Text

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PAGE 01 JIDDA 06776 181500Z

53-S

ACTION NEA-10

INFO OCT-01 ARA-06 EUR-12 ISO-00 SS-15 CIAE-00 DODE-00

PM-03 H-01 INR-05 L-02 NSAE-00 NSC-05 PA-01 RSC-01

PRS-01 SP-02 USIA-06 EB-04 COME-00 FEAE-00 FPC-01

INT-05 OMB-01 STR-01 SAM-01 TRSE-00 CIEP-01 /085 W

----- 014287

R 181430Z NOV 74

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 9302

INFO USINT ALGIERS

AMEMBASSY ABU DHABI

AMEMBASSY CARACAS

AMEMBASSY TRIPOLI

AMCONSUL DHAHRAN

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

AMEMBASSY LONDON 3011

AMEMBASSY BONN

AMEMBASSY PARIS

AMEMBASSY ROME

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E.O.: 11652: N/A

TAGS: ENRG, SA, US

SUBJ: PERSIAN GULF CRUDE PRICES; YAMANI'S CONVERSATION

WITH JOURNALIST

REF : STATE 253518; JIDDA 6686

1. DAVID HOUSEGO, LONDON "FINANCIAL TIMES" CORRESPONDENT MET WITH ZAKI YAMANI AND CORRESPONDENTS OF "WALL STREE JOURNAL," "ASSOCIATED PRESS," AND OTHERS LAST WEEK. HOUSEGO TOLD THE AMBASSADOR NOV 16 THAT YAMANI TOLD THEM FLATLY THAT PRICES
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PAGE 02 JIDDA 06776 181500Z

WOULD NOT BE RPT NOT BE INCREASED FOR THE CONSUMER. HOUSEGO

SAID THAT ACCORDING TO HIS CALCULATIONS, SAUDI GOVERNMENT TAKE WOULD BE INCREASED BY ABOUT 45 CENTS (PRECISELY THE FIGURE THE EMBASSY HAD REACHED), AND HE SAW NO WAY THIS COULD BE ABSORBED OUT OF COMPANY PROFITS. HOUSEGO SAID HE QUESTIONED YAMANI CAREFULLY AND GO ONLY THE CATEGORICAL STATEMENT THAT SAUDI ARABIA DID NOT RPT NOT INTEND TO TAKE ANY MORE MONEY PER BARREL THAN IT DID BEFORE THE ABU DHABI MEETING.

2. HOUSEGO SPECULATED THAT THE ONLY WAY THIS COULD BE ACHIEVED WOULD BE BY SELLING THE SAUDI SHARE OF THE OIL AT A PRICE CONSIDERABLY BELOW 93 PERCENT OF POSTED PRICE; HE WONDERED WHETHER SAUDI ARABIA WOULD DAE DO THIS AS IT WOULD BRING IT INTO IMMEDIATE CONFLICT WITH ITS OPEC PARTNERS.

3. THE AMBASSADOR SAID THERE COULD BE OTHER MEANS, E.G., SAUDI ARABIA COULD FOLLOW THE KUWAIT ROUTE, INCREASE THEORETICAL PRODUCTION, THEREBY ALLOWING THE OIL COMPANIES A HIGHER QUANTITY OF EQUITY OIL AND A LOWER AVERAGE COST.

4. HOUSEGO ALSO NOTED THAT THE ABU DHABI FORMULA IF APPLIED AS STATED, WOULD RESULT IN THE AVERAGE PRICE TO ARAMCO PARENTS BEING ONLY marginally lower than the price third parties would pay for the oil they could buy directly from the SAUDI GOVERNMENT.

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